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Input-Output Analyses of Fiscal Policy in Ontario, edited by Professor John Bossons, is Occasional Paper No. 3 prepared for and published by the Ontario Economic Council. Copies are available only at the Ontario Government Bookstore, 880 Bay Street, Toronto, Ontario M7A 1N8. Price: \$3.00.

TORONTO, May 31 -- Ontario's fiscal policy favours the Toronto or "central core" area at the expense of regional incomes, according to a research study released today by the Ontario Economic Council.

Input-Output Analyses of Fiscal Policy in Ontario includes contributions by Robin W. Boadway of Queen's University, J. M. Treddenick of Royal Military College, and Atif A. Kubursi of McMaster University and contains an introductory essay by Professor John Bossons, of the University of Toronto's Institute of Policy Analysis.

In his paper Differential Sub-Regional Impact of Ontario Provincial Government Expenditures, Professor Kubursi proposes selective expansion of government expenditure programmes in times of widespread unemployment, rather than a general increase.

"A general increase in expenditures is likely not to be sensitive to regional difference in these variables," he says, reasoning that an overall problem is caused by symptoms which vary from area to area.

Spending to reduce broad unemployment, for instance, might not be the answer for an area dependent on exports and may add to inflation.

Kubursi's study, says Professor Bossons, "indicates that virtually all Ontario government programmes have had the effect of increasing the concentration of employment in the Toronto-centred region and of increasing regional income disparities."

Another paper by Kubursi looks also at the efficiency of Ontario government expenditures.

Commenting on the complete study, Prof. Bossons says, "The conclusions are provocative and should motivate further work aimed at generating an improved data base with which more accurate disaggregated policy models can be constructed."

In his foreword he explains that, "The papers presented in this volume were not done as part of an integrated programme and represent separate contributions to the use of input-output models for policy analyses purposes."

The study examines direct and indirect impact of government programmes as they are applied to the provincial economy based on, and through the use of, existing data. The authors attempt to improve on these data and on the use of input-output models, while underlining that their conclusions are approximations which require further study.

The work is in two parts. In the first the contributors modify and extend existing input-output data and in the second they test the hypothetical results in analyses of past provincial policy.

Working with existing information on trade, industrial breakdown of government expenditures, wage and value-added bills and effects of past expenditures, the authors have provided a basis for future work on disaggregation of policy effects.

This study was prepared under the auspices of the Ontario Economic Council, an autonomous research agency funded by the Province of Ontario. The Council acts as an independent advisor on economic issues and undertakes research and policy studies to encourage the optimum development of the human and material resources of Ontario and supports the advancement of all the sectors of the Province. The Council achieves these goals by sponsorship of research projects, publications of studies, and organization of the Outlook and Issues conferences and seminars which are open to the public.

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NOTE: A list of persons to contact for further information, a brief biographical sketch of the authors and a selection of quotations from the study are attached.

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Robin W. Boadway is Associate Professor of Economics at Queen's University. He has earned a B.Eng. degree from Royal Military College, a B.A. and B.Phil. from Oxford and a Ph.D. from Queen's University. He has published widely in the areas of input-output analysis, fiscal policy and public choice.

John Bossons is Professor of Economics at the University of Toronto and a Research Associate at the Institute for Policy Analysis at that university. Previously affiliated with several U.S. universities (M.I.T., Carnegie-Mellon University and Yale University), Professor Bossons is the author of numerous studies on tax policy and finance. A native of Vancouver, he holds a B.A. from University of British Columbia and a Ph.D from Harvard University.

Atif A. Kubursi is Associate Professor in the Department of Economics at McMaster University. He received his undergraduate education at the American University of Beirut and has received an M.S. and Ph.D. from Perdue University. He has acted as an economic consultant to the Province of Ontario and to several foreign countries.

J.M. Treddenick is Associate Professor of Economics at Royal Military College. He received his undergraduate degree at the College and a Ph.D. from Queen's University. He has published widely in the field of econometrics.

INPUT-OUTPUT ANALYSES OF FISCAL POLICY IN ONTARIO (202 pgs.) is available only at the Ontario Government Bookstore, 880 Bay Street, Toronto, Ontario M7A 1N8. Price: \$3.00. A cheque or money order payable to the Treasurer of Ontario must accompany all mail orders.

OTHER RESEARCH REPORTS prepared for the Ontario Economic Council can be obtained from the University of Toronto Press, 5201 Dufferin Street, Downsview, Ontario M3H 5T8, at major booksellers, or from the Ontario Government Bookstore at the address above.

SELECTED QUOTATIONS:

"The papers in this study rest on assumptions which are necessarily restrictive; their conclusions hence should be regarded as first approximations. Moreover, these conclusions are in some cases highly sensitive to the assumptions made by the authors, and, hence, may not be validated by more detailed further work. Nevertheless, the conclusions are provocative and should motivate further work aimed at generating an improved data base with which more accurate disaggregated policy models can be constructed." (Pg. vi)

"The treatment of government programmes as if they represent productive activities is itself questionable especially when the outputs of these programmes are unrecognizable, or are difficult to measure. Furthermore, treating the purchases from industries ascribed to each program as if they are fixed proportions in just the same way industrial purchases of any other industry are treated is rather a strong assumption that requires further consideration." (Pg. 57)

"Several difficulties were encountered in constructing the government expenditure matrices. For one, the data available in the Public Accounts is rather vague. Contracts awarded to companies are not detailed, the nature of the service covered is not known. Besides, the data cover fiscal years and not calendar years which happen to be the basis of the input-output tables. Furthermore, the assignment of various offices in the different departments to particular functions suffers from several arbitrary judgments, especially when one office serves more than one function." (Pg. 56)

"It is invariably assumed that there is a general need for increased government expenditures because of the existence of widespread unemployment and industrial excess capacity. However, a general increase in expenditures is likely not to be sensitive to regional differences in these variables. Raising the level of aggregate demand may accentuate the problem of regional unemployment because of differences in locational and industrial patterns of unemployment and excess capacity. If the increased government spending is concentrated in industries and locations which are operating at, or near, full capacity rather than those where there is slack the increased spending may be inflationary and may have limited employment-generating potential." (Pg. 123)

"Another distinctive characteristic of the sub-provincial economic structure of Ontario is the extent of regional income disparities within Ontario ... in 1965 ... per capita income varied from a low of \$1,546 in the Georgian Bay region to a high of \$2,811 in Central Ontario. The two regions with highest per capita incomes, Central Ontario and Niagara, are often lumped together as the "Golden Horseshoe" or "central core" of the provincial economy. Ultimately, it is the per capita income concept that stands as the test of regional income and employment effects of the various expenditure policy mixes." (Pg. 125)

